

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF GROSSE ILE	County WAYNE
Fiscal Year End 3/31/06	Opinion Date 09/14/06	Date Audit Report Submitted to State 9-28-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	TO BE FORWARDED	
Other (Describe) SINGLE AUDIT REPORTS	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) HUNGERFORD & CO.		Telephone Number 734-246-9600	
Street Address 13305 REECK ROAD		City SOUTHGATE	State MI
		Zip 48195	
Authorizing CPA Signature 		Printed Name THOMAS E. MONTELEON, CPA	License Number 1101007602

Township of Grosse Ile

**Financial Report
with Supplemental Information
March 31, 2006**

Township of Grosse Ile

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Grosse Ile, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Grosse Ile's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2006 on our consideration of the Township of Grosse Ile, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 50 through 53 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grosse Ile, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford & Co.

September 14, 2006

Township of Grosse Ile

Management's Discussion and Analysis

Our discussion and analysis of the Township of Grosse Ile's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The financial report for the year ended March 31, 2006 reflects complete implementation of Governmental Accounting Standards Board Statement Number 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$55,261 this year, which represents a 6.3 percent decrease from the prior year.
- Property taxes are the Township's single largest source of revenue. The Township's taxable value for fiscal year 2005/2006 was \$612,119,668, which represents an increase of \$22,819,410, or 3.9 percent.
- The Township has historically been conservative and continuously monitors discretionary spending; as a result, the fund balance of the General Fund increased by \$216,979.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as March 31, 2006 and 2005 (in thousands of dollars).

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 14,647	\$ 14,067	\$ 14,751	\$ 21,411	\$ 29,398	\$ 35,478
Noncurrent assets	32,401	32,214	59,361	52,527	91,762	84,741
Total assets	47,048	46,281	74,112	73,938	121,160	120,219
Liabilities						
Current liabilities	874	786	3,348	585	4,222	1,371
Long-term liabilities	4,997	5,635	42,615	46,946	47,612	52,581
Total liabilities	5,871	6,421	45,963	47,531	51,834	53,952
Net Assets						
Invested in capital assets -						
Net of related debt	27,199	26,579	20,594	18,664	47,793	45,243
Restricted	9,894	9,400	6,084	4,858	15,978	14,258
Unrestricted	4,084	3,881	1,471	2,885	5,555	6,766
Total net assets	<u>\$ 41,177</u>	<u>\$ 39,860</u>	<u>\$ 28,149</u>	<u>\$ 26,407</u>	<u>\$ 69,326</u>	<u>\$ 66,267</u>

The Township of Grosse Ile has combined net assets of \$69.3 million. Business-type activities comprise \$28.1 million of the total net assets.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the years ended March 31, 2006 and 2005 (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Net Assets - Beginning of year	<u>\$ 39,860</u>	<u>\$ 37,144</u>	<u>\$ 26,407</u>	<u>\$ 24,521</u>	<u>\$ 66,267</u>	<u>\$ 61,665</u>
Revenue						
Program revenue:						
Charges for services	1,258	1,877	5,478	5,246	6,736	7,123
Operating grants and contributions	86	109	-	-	86	109
Capital grants and contributions	-	-	-	740	-	740
General revenue:						
Property taxes	5,918	6,733	2,149	1,330	8,067	8,063
State-shared revenue	911	1,049	-	-	911	1,049
Unrestricted investment earnings	504	191	215	96	719	287
Transfers and other revenue	-	(60)	(51)	60	(51)	-
Total revenue	<u>8,677</u>	<u>9,899</u>	<u>7,791</u>	<u>7,472</u>	<u>16,468</u>	<u>17,371</u>
Program Expenses						
General government	2,561	2,506	-	-	2,561	2,506
Public safety	3,718	3,585	-	-	3,718	3,585
Public works	-	-	4,309	3,626	4,309	3,626
Municipal Airport and Commerce Park	-	-	1,296	1,349	1,296	1,349
Recreation and culture	797	804	444	611	1,241	1,415
Interest on long-term debt	284	288	-	-	284	288
Total program expenses	<u>7,360</u>	<u>7,183</u>	<u>6,049</u>	<u>5,586</u>	<u>13,409</u>	<u>12,769</u>
Change in Net Assets	<u>1,317</u>	<u>2,716</u>	<u>1,742</u>	<u>1,886</u>	<u>3,059</u>	<u>4,602</u>
Net Assets - End of year	<u><u>\$ 41,177</u></u>	<u><u>\$ 39,860</u></u>	<u><u>\$ 28,149</u></u>	<u><u>\$ 26,407</u></u>	<u><u>\$ 69,326</u></u>	<u><u>\$ 66,267</u></u>

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenues decreased by approximately \$828,000. The decrease, which represents less than 8.6 percent, was due primarily to the road improvement millage not being renewed in 2005 of approximately \$973,000. However, the Township recognized a significant increase in interest earned during the fiscal year of approximately \$313,000 and continues to recognize an increase in property taxes.

Expenses increased by about \$596,795 during the year. The increase was due to the purchase of a fire truck in the amount of \$610,720, and the Township continues to closely monitor its spending in all other areas.

Business-type Activities

The Township's business-type activities consist of the Department of Public Works, the Municipal Airport and Commerce Park, the Grosse Ile Bridge, and the Water's Edge Country Club. The Department of Public Works Fund provides water to residents from the Detroit Water System. The Township provides sewage treatment through a Township-owned sewage treatment plant. Refuse collection and recycling services are provided by an outside commercial entity.

The operating revenue of the Department of Public Works' fund increased by 5.4 percent, even though the Township imposed a 5 percent rate increase for water usage and a 10 percent rate increase for sewer usage. This increase was passed to absorb the 10.4 percent increase from the City of Detroit for the fiscal year and to pay for current and future capital improvement infrastructure needs. The operating expenses increased by 19 percent, resulting in an overall operating net income of \$392,075. The increase in expenses was due primarily to water purchased from the City of Detroit and increased personnel costs.

The Municipal Airport and Commerce Park Fund is used to account for the airport operations and the Commerce Park complex. In March 2004, the Grosse Ile Municipal Airport entered into a management agreement with John Shade, director, Grosse Ile Tennis Center to provide the management of tennis programs. Revenues from membership fees shall be placed in a separate account maintained by the Township and applied toward utility expenses and other expenses as deemed necessary. The revenues from court and lesson fees shall be allocated on the following percentage-of-gross basis: director 60 percent, airport 30 percent, and donors 10 percent. Revenues and expenses for this activity have been reported in this fund in the amounts of \$71,181 and \$43,366 respectively.

The operating revenue for this fund increased by approximately 5.3 percent and the operating expenses decreased by approximately 4 percent. The increase in revenue resulted primarily from rent increases. The decrease in operating expenses is due to not filling the Airport Manager position for most of the fiscal year. Operating loss was \$82,142 for the fiscal year.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

The Grosse Ile Bridge Fund is used to account for costs associated with the pending litigation related to the condemnation of the Grosse Ile toll bridge. As of March 31, 2006, the costs associated with this taking are reported as a capital asset in the amount of \$285,883.

The Water's Edge Country Club Fund accounts for the operations and maintenance of the golf course, pool, and marina facilities. The facilities are open to the public on a membership and fee basis.

The operating revenue for this fund decreased by approximately 5 percent, and the operating expenses decreased by approximately less than 30 percent. The decrease in revenue resulted primarily from the decline of usage of the golf facility and memberships. The decrease in operating expenses is due to continuous efforts to maintain costs at a minimum to reflect current economic conditions. The two biggest factors affecting the golf course business are the weather and the economy. Operating income was \$78,897 for the fiscal year. This is a significant improvement as compared to last years' operating loss of \$62,777.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Road Improvement Fund, Open Space Fund, and the 2004 SAD Debt Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general administration and police operations, which incurred expenses of approximately \$1.8 and \$2.7 million, respectively, in the current year. The budget in the General Fund is basically a "maintenance" budget, which means it increases modestly from year to year.

General Fund Budgetary Highlights

Over the course of the year, the Township did not amend the budget. The adjustment was made from fund balance to purchase equipment. The Township Board's policy regarding the budget is to avoid making adjustments during the year so that the budget can be used as a financial guide to make financial decisions, and to analyze and maintain the validity of the budget document. As a result, the actual revenues and expenses are usually within 10 percent of budgeted amounts. Overall, the Township departments stayed below the original budget amounts, resulting in total expenditures and transfers of \$216,979 below budget, however, due to reserve requirements for general fund's operating purposes, the General Fund's unreserved fund balance decreased from \$949,312 a year ago to \$783,665 at March 31, 2006.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

On April 1, 2005, the Township paid off the 1996 Special Assessment Limited Tax Bonds.

At the end of fiscal year 2006, the Township had approximately \$92 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, bike paths, roads, equipment, and water and sewer lines.

Major capital improvements for the fiscal year included the completion of East River water main replacement project from Ferry Road to Manchester Road, a 50 percent Wayne County match concrete paving program of roads within the Potawatomie Woods subdivision, and the continuation of the sanitary sewer rehabilitation project.

In 2005/2006 the Township fire department purchased a KME Custom pumper fire truck in the amount of \$610,720.

Economic Factors and Next Year's Budgets and Rates

Due to the extreme economic conditions that every local community is currently facing, the Township's 2006-2007 budget was prepared with the following criteria. First, operating millage revenues will be increased by 3 percent. This can be accomplished because of the strong growth in our tax base. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. Further, the Township incorporated a 10 percent decrease in state-shared revenue, a 15 percent increase in all employee health insurance premiums, and a 10 percent increase in liability insurance premiums. By limiting other categories of discretionary spending and revisiting how certain services are delivered, the Township was able to balance its budget for the 2006-2007 fiscal year.

As of April 1, 2006, water rates will increase by 5 percent and sewer rates will increase by 5 percent charged to Township residents. Due to large rate increases in previous years, the Township Board felt that the Department of Public Works could absorb the 6.1 percent rate increase imposed by the Detroit Water Board by only increasing rates slightly.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the finance department.

Township of Grosse Ile

Statement of Net Assets (Deficit) March 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 12,836,540	\$ 683,596	\$ 13,520,136	\$ 171,110
Restricted assets - Undrawn bond proceeds (Note 8)	-	6,442,860	6,442,860	-
Receivables - Net (Note 4)	987,280	-	987,280	-
Customer receivables	-	1,222,285	1,222,285	-
Internal balances (Note 6)	628,857	(628,857)	-	-
Due from other governmental units	186,589	3,487,685	3,674,274	-
Due from primary government	-	-	-	279,008
Inventories	5,311	49,101	54,412	-
Prepaid items and other assets	2,580	2,606	5,186	-
Restricted assets (Note 8)	-	3,491,731	3,491,731	-
Capital assets - Net (Note 5)	32,401,002	59,361,693	91,762,695	-
Total assets	47,048,159	74,112,700	121,160,859	450,118
Liabilities				
Accounts payable	232,958	1,106,254	1,339,212	924
Accrued and other liabilities	93,783	55,270	149,053	500
Deferred revenue (Note 4)	2,295	64,798	67,093	-
Customer deposits	-	103,666	103,666	-
Compensated absences:				
Due within one year	106,282	28,992	135,274	-
Due in more than one year	234,324	74,089	308,413	-
Long-term debt (Note 7):				
Due within one year	439,405	1,989,263	2,428,668	63,943
Due in more than one year	4,762,557	42,541,204	47,303,761	773,267
Total liabilities	5,871,604	45,963,536	51,835,140	838,634
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	27,199,040	20,594,122	47,793,162	-
Restricted:				
Debt service	1,234,654	-	1,234,654	-
Other purposes (Note 11)	8,658,657	6,083,565	14,742,222	-
Unrestricted	4,084,204	1,471,477	5,555,681	(388,516)
Total net assets (deficit)	\$ 41,176,555	\$ 28,149,164	\$ 69,325,719	\$ (388,516)

Township of Grosse Ile

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,561,246	\$ 802,989	\$ 86,328	\$ -
Public safety	3,717,967	196,796	-	-
Cultural and recreation	797,284	258,612	-	-
Interest on debt	284,397	-	-	-
Total governmental activities	7,360,894	1,258,397	86,328	-
Business-type activities:				
Department of Public Works	4,309,325	3,846,598	-	-
Municipal Airport and Commerce Park	1,295,597	1,175,765	-	-
Water's Edge Country Club	443,789	455,724	-	-
Total business-type activities	6,048,711	5,478,087	-	-
Total primary government	<u>\$ 13,409,605</u>	<u>\$ 6,736,484</u>	<u>\$ 86,328</u>	<u>\$ -</u>
Component units:				
Brownfield Authority	46,446	-	-	-
Downtown Development Authority	81,653	-	-	-
Total component units	<u>\$ 128,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,671,929)	\$ -	\$ (1,671,929)	\$ -
(3,521,171)	-	(3,521,171)	-
(538,672)	-	(538,672)	-
(284,397)	-	(284,397)	-
<u>(6,016,169)</u>	<u>-</u>	<u>(6,016,169)</u>	<u>-</u>
-	(462,727)	(462,727)	-
-	(119,832)	(119,832)	-
<u>-</u>	<u>11,935</u>	<u>11,935</u>	<u>-</u>
<u>-</u>	<u>(570,624)</u>	<u>(570,624)</u>	<u>-</u>
(6,016,169)	(570,624)	(6,586,793)	-
-	-	-	(46,446)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,653)</u>
-	-	-	(128,099)
5,917,059	2,148,925	8,065,984	298,877
910,940	-	910,940	-
504,629	214,793	719,422	4,823
<u>-</u>	<u>(50,835)</u>	<u>(50,835)</u>	<u>50,835</u>
<u>7,332,628</u>	<u>2,312,883</u>	<u>9,645,511</u>	<u>354,535</u>
1,316,459	1,742,259	3,058,718	226,436
<u>39,860,096</u>	<u>26,406,905</u>	<u>66,267,001</u>	<u>(614,952)</u>
<u>\$ 41,176,555</u>	<u>\$ 28,149,164</u>	<u>\$ 69,325,719</u>	<u>\$ (388,516)</u>

Township of Grosse Ile

Governmental Funds Balance Sheet March 31, 2006

	General Fund	Road Improvement Fund	Open Space Fund	2004 SAD Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 2,631,138	\$ 4,046,221	\$ 577,853	\$ 239,346	\$ 5,341,982	\$ 12,836,540
Receivables - Net	167,360	4,437	29,618	400,213	385,652	987,280
Due from other funds	727,928	-	-	-	40,661	768,589
Due from other governmental units	146,587	-	-	-	40,002	186,589
Inventories	5,311	-	-	-	-	5,311
Prepaid items and other assets	-	-	-	-	2,580	2,580
Total assets	<u>\$ 3,678,324</u>	<u>\$ 4,050,658</u>	<u>\$ 607,471</u>	<u>\$ 639,559</u>	<u>\$ 5,810,877</u>	<u>\$ 14,786,889</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 72,915	\$ 48,311	\$ -	\$ -	\$ 111,732	\$ 232,958
Accrued and other liabilities	46,808	-	-	-	46,975	93,783
Due to other funds	-	-	-	475	139,257	139,732
Deferred revenue	-	-	-	395,634	258,736	654,370
Total liabilities	<u>119,723</u>	<u>48,311</u>	<u>-</u>	<u>396,109</u>	<u>556,700</u>	<u>1,120,843</u>
Fund Balances						
Reserved for debt service	-	-	-	243,450	991,204	1,234,654
Designated, reported in General Fund (Note 11)	2,774,936	-	-	-	-	2,774,936
Unreserved - Undesignated, reported in:						
General Fund	783,665	-	-	-	-	783,665
Special Revenue Funds	-	4,002,347	607,471	-	3,949,103	8,558,921
Capital Projects Funds	-	-	-	-	313,870	313,870
Total fund balances	<u>3,558,601</u>	<u>4,002,347</u>	<u>607,471</u>	<u>243,450</u>	<u>5,254,177</u>	<u>13,666,046</u>
Total liabilities and fund balances	<u>\$ 3,678,324</u>	<u>\$ 4,050,658</u>	<u>\$ 607,471</u>	<u>\$ 639,559</u>	<u>\$ 5,810,877</u>	<u>\$ 14,786,889</u>
Total fund balance for governmental funds						\$ 13,666,046
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						32,401,002
Special assessment revenue not received within 60 days of year end is not reported as revenue in the funds						652,075
Long-term debt is not due and payable in the current period and is not reported in the funds						(5,201,962)
Accumulated sick and vacation pay is not due and payable in the current period and is not reported in the funds						(340,606)
Net assets of governmental activities						<u>\$ 41,176,555</u>

Township of Grosse Ile

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General Fund	Road Improvement Fund	Open Space Fund	2004 SAD Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 2,965,505	\$ 243	\$ 589,712	\$ -	\$ 2,361,599	\$ 5,917,059
Special assessments	-	-	-	72,012	46,534	118,546
State sources	910,940	-	-	-	-	910,940
Licenses and permits	378,388	-	-	-	-	378,388
Charges for services	115	-	-	-	224,461	224,576
Ambulance fees	-	-	-	-	97,452	97,452
Rental income	-	-	-	-	103,287	103,287
Federal sources	-	-	-	-	86,328	86,328
Fines and forfeitures	99,344	-	-	-	-	99,344
Interest income	175,833	123,052	13,465	52,043	140,236	504,629
Other	238,129	-	-	-	117,221	355,350
Total revenue	4,768,254	123,295	603,177	124,055	3,177,118	8,795,899
Expenditures						
Current:						
General government	1,760,967	299,534	35,154	-	157,178	2,252,833
33rd District Court	84,254	-	-	-	-	84,254
Public safety	2,573,776	-	-	-	1,588,651	4,162,427
Cultural and recreation	-	-	-	-	764,913	764,913
Capital outlay	-	-	-	-	4,678	4,678
Debt service	-	-	-	31,605	685,932	717,537
Total expenditures	4,418,997	299,534	35,154	31,605	3,201,352	7,986,642
Excess of Revenue Over (Under)						
Expenditures	349,257	(176,239)	568,023	92,450	(24,234)	809,257
Other Financing Sources (Uses)						
Transfers in	64,600	-	-	-	222,803	287,403
Transfers out	(196,878)	(400)	-	-	(90,125)	(287,403)
Total other financing sources (uses)	(132,278)	(400)	-	-	132,678	-
Net Change in Fund Balances	216,979	(176,639)	568,023	92,450	108,444	809,257
Fund Balances - Beginning of year	3,341,622	4,178,986	39,448	151,000	5,145,733	12,856,789
Fund Balances - End of year	\$ 3,558,601	\$ 4,002,347	\$ 607,471	\$ 243,450	\$ 5,254,177	\$ 13,666,046

Township of Grosse Ile

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 809,257

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	989,234
Loss on disposal of assets	(12,017)
Depreciation expense	(790,036)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end

(118,546)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

433,140

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities

5,427

Change in Net Assets of Governmental Activities **\$ 1,316,459**

Township of Grosse Ile

Proprietary Funds Statement of Net Assets March 31, 2006

	Enterprise Funds				
	Department of Public Works	Municipal Airport and Commerce Park	Grosse Ile Bridge	Water's Edge Country Club	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 300	\$ 534,222	\$ -	\$ 149,074	\$ 683,596
Restricted assets - Undrawn proceeds	6,442,860	-	-	-	6,442,860
Customer receivables - Net	1,091,979	130,306	-	-	1,222,285
Due from other governmental units	3,487,685	-	-	-	3,487,685
Due from other funds	-	28,824	-	-	28,824
Inventories	33,082	15,079	-	940	49,101
Prepaid costs and other assets	2,606	-	-	-	2,606
Total current assets	11,058,512	708,431	-	150,014	11,916,957
Noncurrent assets:					
Restricted assets	3,478,341	13,390	-	-	3,491,731
Capital assets	47,844,304	9,859,321	285,883	1,372,185	59,361,693
Total noncurrent assets	51,322,645	9,872,711	285,883	1,372,185	62,853,424
Total assets	62,381,157	10,581,142	285,883	1,522,199	74,770,381
Liabilities					
Current liabilities:					
Accounts payable	1,036,096	61,728	-	8,430	1,106,254
Accrued and other liabilities	17,311	30,036	-	7,923	55,270
Due to other funds	68,101	11,234	285,883	292,463	657,681
Deferred revenue	-	-	-	64,798	64,798
Customer deposits	25,521	75,645	-	2,500	103,666
Current portion of compensated absences	11,200	9,936	-	7,856	28,992
Current portion of long-term debt	1,924,263	25,000	-	40,000	1,989,263
Total current liabilities	3,082,492	213,579	285,883	423,970	4,005,924
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	31,424	16,443	-	26,222	74,089
Long-term debt - Net of current portion	40,921,204	630,000	-	990,000	42,541,204
Total noncurrent liabilities	40,952,628	646,443	-	1,016,222	42,615,293
Total liabilities	44,035,120	860,022	285,883	1,440,192	46,621,217
Net Assets					
Investment in capital assets - Net of related debt	10,775,123	9,190,931	285,883	342,185	20,594,122
Restricted (Note 11)	6,083,565	-	-	-	6,083,565
Unrestricted	1,487,349	530,189	(285,883)	(260,178)	1,471,477
Total net assets	\$ 18,346,037	\$ 9,721,120	\$ -	\$ 82,007	\$ 28,149,164

Township of Grosse Ile

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

	Enterprise Funds				
	Department of Public Works	Municipal Airport and Commerce Park	Grosse Ile Bridge	Water's Edge Country Club	Total
Operating Revenue					
Sale of water	\$ 2,032,948	\$ -	\$ -	\$ -	\$ 2,032,948
Sewage disposal charges	1,274,840	-	-	-	1,274,840
Refuse charges	538,810	-	-	-	538,810
Airport related	-	408,372	-	-	408,372
Commerce Park rent	-	439,413	-	-	439,413
Fuel farm	-	256,799	-	-	256,799
Tennis center	-	71,181	-	-	71,181
Golf	-	-	-	318,333	318,333
Marina	-	-	-	110,131	110,131
Pool	-	-	-	27,260	27,260
Total operating revenue	<u>3,846,598</u>	<u>1,175,765</u>	<u>-</u>	<u>455,724</u>	<u>5,478,087</u>
Operating Expenses					
Cost of water produced/purchased	1,502,056	-	-	-	1,502,056
Cost of sewage treatment	1,004,320	-	-	-	1,004,320
Cost of refuse disposal	626,828	-	-	-	626,828
Airport related	-	565,680	-	-	565,680
Commerce Park rent	-	47,339	-	-	47,339
Fuel farm	-	223,773	-	-	223,773
Tennis center	-	43,366	-	-	43,366
Golf	-	-	-	218,701	218,701
Marina	-	-	-	42,367	42,367
Pool	-	-	-	45,755	45,755
Depreciation	321,319	377,749	-	70,004	769,072
Total operating expenses	<u>3,454,523</u>	<u>1,257,907</u>	<u>-</u>	<u>376,827</u>	<u>5,089,257</u>
Operating Income (Loss)	<u>392,075</u>	<u>(82,142)</u>	<u>-</u>	<u>78,897</u>	<u>388,830</u>
Nonoperating Revenue (Expenses)					
Property taxes	2,148,925	-	-	-	2,148,925
Investment income	194,040	17,912	-	2,841	214,793
Interest expense	(854,802)	(37,690)	-	(66,962)	(959,454)
Total nonoperating expenses	<u>1,488,163</u>	<u>(19,778)</u>	<u>-</u>	<u>(64,121)</u>	<u>1,404,264</u>
Income (Loss)	<u>1,880,238</u>	<u>(101,920)</u>	<u>-</u>	<u>14,776</u>	<u>1,793,094</u>
Operating Transfers In (Out)	<u>-</u>	<u>(50,835)</u>	<u>-</u>	<u>-</u>	<u>(50,835)</u>
Change in Net Assets	<u>1,880,238</u>	<u>(152,755)</u>	<u>-</u>	<u>14,776</u>	<u>1,742,259</u>
Net Assets - Beginning of year	<u>16,465,799</u>	<u>9,873,875</u>	<u>-</u>	<u>67,231</u>	<u>26,406,905</u>
Net Assets - End of year	<u>\$ 18,346,037</u>	<u>\$ 9,721,120</u>	<u>\$ -</u>	<u>\$ 82,007</u>	<u>\$ 28,149,164</u>

Township of Grosse Ile

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2006

	Enterprise Funds				
	Department of Public Works	Municipal Airport and Commerce Park	Grosse Ile Bridge	Water's Edge County Club	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 4,517,263	\$ 1,293,083	\$ -	\$ 527,455	\$ 6,337,801
Payments to suppliers	(5,390,841)	(713,729)	-	(243,662)	(6,348,232)
Payments to employees	(614,682)	(314,214)	-	(150,363)	(1,079,259)
Internal activity - Payments from (to) other funds	26,599	(105,181)	-	5,142	(73,440)
Other receipts	194,040	17,912	-	2,841	214,793
Net cash provided (used) by operating activities	(1,267,621)	177,871	-	141,413	(948,337)
Cash Flows from Financing Activities					
Proceeds from issuance of debt	-	-	-	-	-
Purchase of capital assets	(611,925)	(45,839)	-	(6,595)	(664,359)
Proceeds from property tax levy	2,148,925	-	-	-	2,148,925
Operating transfers out	-	(50,835)	-	-	(50,835)
Principal paid on capital debt	(1,799,901)	(25,000)	-	(35,000)	(1,859,901)
Interest paid on capital debt	(854,802)	(37,690)	-	(66,962)	(959,454)
Net cash used in capital and related financing activities	(1,117,703)	(159,364)	-	(108,557)	(1,385,624)
Cash Flows from Investing Activities -					
Interest received on investments	194,040	17,912	-	2,841	214,793
Net Increase (Decrease) in Cash and Cash Equivalents	(2,191,284)	36,419	-	35,697	(2,119,168)
Cash and Cash Equivalents - Beginning of year	5,669,925	511,193	-	113,377	6,294,495
Cash and Cash Equivalents - End of year	\$ 3,478,641	\$ 547,612	\$ -	\$ 149,074	\$ 4,175,327
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 300	\$ 534,222	\$ -	\$ 149,074	683,596
Restricted investments (Note 8)	3,478,341	13,390	-	-	3,491,731
Total cash and cash equivalents	\$ 3,478,641	\$ 547,612	\$ -	\$ 149,074	\$ 4,175,327

Township of Grosse Ile

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2006

	Enterprise Funds				
	Department of Public Works	Municipal Airport and Commerce Park	Grosse Ile Bridge	Water's Edge Country Club	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 392,075	\$ (82,142)	\$ -	\$ 78,897	388,830
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	321,319	377,749	-	70,004	769,072
Changes in assets and liabilities:					
Receivables	(127,059)	(112,086)	-	8,344	(230,801)
Due from other governmental units	(2,722,142)	80,000	-	-	(2,642,142)
Prepaid expense	(421)	1,281	-	-	860
Inventories	-	1,853	-	-	1,853
Accounts payable	865,757	18,469	-	(1,563)	882,663
Accrued and other liabilities	(13,276)	(7,805)	-	(3,448)	(24,529)
Deferred revenue	-	-	-	(1,622)	(1,622)
Compensated absences	(4,680)	(534)	-	(1,557)	(6,771)
Other liabilities	(5,793)	6,267	-	(2,500)	(2,026)
Interfund activity	26,599	(105,181)	-	(5,142)	(83,724)
Net cash provided (used) by operating activities	<u>\$ (1,267,621)</u>	<u>\$ 177,871</u>	<u>\$ -</u>	<u>\$ 141,413</u>	<u>\$ (948,337)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2006, none existed.

Township of Grosse Ile

Fiduciary Funds Statement of Assets and Liabilities March 31, 2006

	Agency Funds		
	General	Tax Collection	Total
Assets - Cash and cash equivalents	<u>\$ 726,345</u>	<u>\$ 567,139</u>	<u>\$ 1,293,484</u>
Liabilities			
Due to component unit	\$ -	\$ 279,008	\$ 279,008
Due to other governmental units	-	246,109	246,109
Accrued and other liabilities	<u>726,345</u>	<u>42,022</u>	<u>768,367</u>
Total liabilities	<u>\$ 726,345</u>	<u>\$ 567,139</u>	<u>\$ 1,293,484</u>

Township of Grosse Ile

Component Units Statement of Net Assets (Deficit) March 31, 2006

	Brownfield Authority	Downtown Development Authority	Totals
Assets			
Cash and investments	\$ 68,052	\$ 103,058	\$ 171,110
Due from primary government	<u>162,002</u>	<u>117,006</u>	<u>279,008</u>
Total assets	<u>230,054</u>	<u>220,064</u>	<u>450,118</u>
Liabilities			
Accounts payable	-	924	924
Accrued and other liabilities	-	500	500
Long-term debt (Note 7):			
Due within one year	38,943	25,000	63,943
Due in more than one year	<u>298,267</u>	<u>475,000</u>	<u>773,267</u>
Total liabilities	<u>337,210</u>	<u>501,424</u>	<u>838,634</u>
Net Deficit - Unrestricted	<u>\$ (107,156)</u>	<u>\$ (281,360)</u>	<u>\$ (388,516)</u>

Township of Grosse Ile

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Brownfield Authority - Community and economic development	\$ 46,446	\$ -	\$ -
Downtown Development Authority - Community and economic development	81,653	-	-
Total governmental activities	<u><u>\$ 128,099</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
General Revenues			
Property taxes			
Interest			
Transfers			
Total general revenues and transfers			
Change in Net Deficit			
Net Deficit - Beginning of year			
Net Deficit - End of year			

**Component Units
Statement of Activities
Year Ended March 31, 2006**

Net (Expense) Revenue and Changes in Net Assets		
Brownfield Authority	Downtown Development Authority	Total
\$ (46,446)	\$ -	\$ (46,446)
-	(81,653)	(81,653)
(46,446)	(81,653)	(128,099)
162,002	136,875	298,877
1,863	2,960	4,823
50,835	-	50,835
214,700	139,835	354,535
168,254	58,182	226,436
(275,410)	(339,542)	(614,952)
<u>\$ (107,156)</u>	<u>\$ (281,360)</u>	<u>\$ (388,516)</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Grosse Ile (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township operates as a General Law Township under the laws of the State of Michigan. The Township is governed by an elected seven-member Board. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Grosse Ile Building Authority (the "Authority") is composed of a three-member board appointed by the Township's Board of Trustees. Although it is a separate legal entity from the Township, the Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Grosse Ile/City of Trenton Utilities Authority (the "Authority") was created under Michigan Statute Act 233 of Public Act 1955, as amended, to acquire, construct, and finance water supply improvements. The Authority is composed of three members, two from Grosse Ile and one from the City of Trenton. Although the Authority is presented under this section, there is no joint venture between the two communities. Each community owns, operates, finances, and maintains its own water/sewer system within its jurisdiction. This Authority is used as a funding mechanism for water and sewer projects. There is no intention now or in the future to sponsor a jointly owned venture. Although it is a separate legal entity from the Township, the Authority is reported as if it were a part of the primary government within the Department of Public Works Fund because its sole purpose is to finance and construct water and sewer projects.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

The Downtown Development Authority (the "Authority") was created under Act No. 197 of the Michigan State statutes to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic development within the downtown district. The supervisor, subject to the approval of the Township Board under the supervision and control of a Board consisting of the Township supervisor and eight members, appoints the Authority. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the Authority budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

The Brownfield Authority was created under Michigan Public Act 381 of 1997. Its purpose is to redevelop and reuse the Grosse Ile Airport Commerce Park through the capture of tax revenues generated within the Brownfield District. The tax revenues are used to remediate environmental problems (approved by the Township Board) and for land use and market studies (approved by the State of Michigan Department of Environmental Quality). The members consist of the Airport Commission appointed by the Township Board. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the Authority's budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

Jointly Governed Organizations

Jointly governed organizations are discussed in Note 13.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Improvement Fund - The Road Improvement Fund is used to account for funds from a tax millage for public improvements to nonresidential and commonly used thoroughfares. It is used to pay certain contract indebtedness under contracts to be entered into with the County of Wayne or contractors for the purpose of providing various improvements and maintenance to roads within the Township and the payment of any special road assessments for Township-owned land. The fund was authorized by a vote of the residents approving a tax levy.

Open Space Fund - The Open Space Fund is used to account for funds from a tax millage for the purpose of purchasing and maintaining privately owned Township land to maintain and preserve the rural setting of the Township. This fund was authorized by a vote of the residents approving a tax levy.

2004 SAD Debt Fund - The 2004 SAD Debt Fund is used to account for principal and interest debt activity related to debt used to construct a road special assessment district. Debt service payments are made from yearly tax assessments and residual monies from interest free pre-payments.

The Township reports the following major proprietary funds:

Department of Public Works Fund - The Department of Public Works Fund accounts for the activities of the water distribution system, sewage collection system, and refuse collection. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

Municipal Airport and Commerce Park Fund - The Municipal Airport and Commerce Park Fund is used to account for the airport operations and the Commerce Park complex. Financing is provided by user charges for the airport and by rental income in Commerce Park. The airport was a naval aviation operation, transferred to the Township, and has some land use restrictions imposed by the FAA.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Grosse Ile Bridge Fund - The Grosse Ile Bridge Fund is used to account for costs associated with the pending litigation related to the condemnation of the Grosse Ile toll bridge.

Water's Edge Country Club Fund - The Water's Edge Country Club Fund accounts for the operation and maintenance of the golf course, pool, and marina facilities. The facilities are open to the public on a membership and fee basis.

Additionally, the Township reports the following fund types:

Agency Funds - Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Capital Projects Funds - Capital Projects Funds are used to account for the construction of major capital facilities and Township infrastructure other than those financed by proprietary and trust funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes or designated by management to be accounted for in another fund. These funds are classified as Special Revenue Funds due to the limited usage of their assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$612.1 million (a portion of which is abated and a portion of which is captured by the Brownfield Authority and Downtown Development Authority), on which taxes levied consisted of 3.1842 mills for operating purposes, 1.7184 mills for police operations, 1.9558 mills for fire operations and equipment purchases, .9751 mills for open space purchases, .4750 mills for recreation operations, .0948 mills for bike path maintenance, .3900 mills for library use, .3216 mills for drainage improvements, .3000 mills for public safety building debt, and 3.85 mills for sewer-related debt. This resulted in \$1.927 million for operating, \$1.04 million for police operations, \$1.19 million for fire operations and equipment purchases, \$589,700 for open space purchases, \$287,000 for recreation operations, \$57,000 for bike path maintenance, \$235,800 for library use, \$194,000 for drainage improvements, \$184,000 for public safety building debt, and \$2.36 million for sewer-related debt. These amounts are recognized in the respective General Funds, Special Revenue Funds, Debt Service Funds, and Enterprise Funds financial statements as tax revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average method. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Noncurrent receivables such as special assessments are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end. Interest income on special assessments receivable is not accrued until its due date.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets of the Department of Public Works Fund consist of cash, municipal pooled investments, and highly liquid assets restricted for replacement of the water and sewer distribution and collection systems and sewer plant capital replacement. Unspent bond proceeds of the Enterprise Funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	50 years
Bike paths	20 years
Drains	100 years
Water and sewer distribution systems	20 to 100 years
Water and sewer treatment facilities	40 to 50 years
Buildings and building improvements	20 to 50 years
Vehicles	5 to 30 years
Furniture and fixtures	7 to 10 years
Equipment and machines	7 to 20 years
Signs	20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds where appropriate except in the General Fund, where it is only reported for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)".

Annual budgets are adopted for all funds. The budget represents a complete financial plan for all activities of the Township for the ensuing fiscal year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Expenditures at this level in excess of amounts budgeted are a violation of State law.

Encumbrance accounting is employed in all funds. Annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The amount of encumbrances outstanding at March 31, 2006 is \$0.

The budget process begins with a strategy meeting in December with the Township supervisor, Township manager, and finance director to plan and prioritize goals and objectives for the upcoming budget year.

Each January, department heads receive workpapers to prepare their individual line item budgets. Upon completion, the department budgets are returned to the finance director for compilation and review. A public meeting with the department managers is held with the Township supervisor, Township manager, and finance director to provide justification of their budgets.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 2 - Stewardship, Compliance, and Accountability (Continued)

A proposed, balanced budget is then developed and submitted to the Township Board for review. A public hearing on the budget is held before its final adoption. Upon review, and a subsequent public hearing, the Township Board adopts the proposed budget by resolution prior to the commencement of the next fiscal year.

A comparison of actual results of operations to the General Fund and Major Special Revenue Funds budgets adopted by the Township Board is included as required supplemental information. The comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns to all the fund budgets as adopted by the Township Board, is available at the finance department's office for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures in governmental funds that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund			
Township Board	\$ 45,226	\$ 89,717	\$ (44,491)
Township Manager	223,788	268,842	(45,054)
Township Treasurer	122,760	126,082	(3,322)
Township Grounds	210,612	227,636	(17,024)
Community Development	265,370	270,563	(5,193)
Cable Commission	95,000	96,305	(1,305)
Professional Services	90,000	117,910	(27,910)
33rd District Court	83,757	84,254	(497)
Transfers out	196,425	196,878	(453)

The unfavorable expenditure variances in the General Fund were caused by unanticipated expenditures and transfers that became necessary during the year.

Fund Deficits - The Township has accumulated fund deficits in the following individual funds:

The deficit in the Downtown Development Authority of \$281,360 will be eliminated in future years as property tax collections are received.

The deficit in the Brownfield Authority of \$107,156 will be eliminated in future years as property tax collections are received.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative overage at April 1, 2005	\$ 6,431
Current year building permit revenue	257,385
Related expenses:	
Direct costs	(265,257)
Administrative indirect costs	<u>(5,307)</u>
Cumulative shortfall at March 31, 2006	<u>\$ (6,748)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank investment pool, and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the Township's deposits is \$2,560,886, of which \$287,775 is covered by federal depository insurance and \$2,273,111 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$171,110, of which \$100,000 was covered by federal depository insurance.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the Township only had one investment subjected to interest rate risk - U.S. Federal Agencies \$199,000 due on October 30, 2006.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment that would further limit its investment choices. As of the end of the fiscal year, the credit quality ratings of the debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
U.S. Federal Agencies	\$ 199,000	Aaa	Moody's
Money Market Funds	670,839	Not Rated	

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road Improvement Fund	Open Space Fund	2004 SAD Debt Fund	Nonmajor and Other Funds	Total Primary Government
Receivables:						
Taxes	\$ 144,145	\$ 1,212	\$ 29,240	\$ 4,579	\$ 116,943	\$ 296,119
Special assessments	-	-	-	395,634	256,441	652,075
Accounts	23,215	-	-	-	9,682	32,897
Interest and other	-	3,225	378	-	2,586	6,189
Net receivables	<u>\$ 167,360</u>	<u>\$ 4,437</u>	<u>\$ 29,618</u>	<u>\$ 400,213</u>	<u>\$ 385,652</u>	<u>\$ 987,280</u>

At year end, all receivables recorded in the Township's component units related to taxes receivable.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 652,075	\$ -
Other	-	2,295
Total	<u>\$ 652,075</u>	<u>\$ 2,295</u>

The Waters Edge Country Club bills the upcoming summer season dockage fees in January of the applicable year. Deferred revenue is recorded for the amounts collected from January to March 31, 2006.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated:				
Open space land	\$ 10,118,914	\$ -	\$ -	\$ 10,118,914
Other land	1,172,372	3,836	-	1,176,208
Subtotal	11,291,286	3,836	-	11,295,122
Capital assets being depreciated:				
Infrastructure	16,070,938	161,472	-	16,232,410
Buildings and improvements	7,662,194	116,465	-	7,778,659
Public safety vehicles	1,728,737	654,915	66,336	2,317,316
Furniture, fixtures, and other vehicles	3,381,693	52,546	-	3,434,239
Subtotal	28,843,562	985,398	66,336	29,762,624
Accumulated depreciation:				
Infrastructure	4,467,867	278,078	-	4,745,945
Buildings and improvements	1,008,139	157,781	-	1,165,920
Public safety vehicles	881,021	113,971	54,319	940,673
Furniture, fixtures, and other vehicles	1,564,000	240,206	-	1,804,206
Subtotal	7,921,027	790,036	54,319	8,656,744
Net capital assets being depreciated	20,922,535	195,362	12,017	21,105,880
Net capital assets	\$ 32,213,821	\$ 199,198	\$ 12,017	\$ 32,401,002

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 5 - Capital Assets (Continued)

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 5,652,599	\$ -	\$ -	\$ 5,652,599
Construction in progress	29,117,380	7,499,656	458,402	36,158,634
Subtotal	<u>34,769,979</u>	<u>7,499,656</u>	<u>458,402</u>	<u>41,811,233</u>
Capital assets being depreciated:				
Water and sewer distribution system	13,342,832	35,000	-	13,377,832
Buildings and building improvements	14,485,015	484,007	-	14,969,022
Furniture, machinery, and equipment	702,352	2,277	-	704,629
Vehicles	222,047	41,568	9,105	254,510
Subtotal	<u>28,752,246</u>	<u>562,852</u>	<u>9,105</u>	<u>29,305,993</u>
Accumulated depreciation:				
Water and sewer distribution system	2,745,632	250,837	-	2,996,469
Buildings and building improvements	7,404,547	452,736	-	7,857,283
Furniture, machinery, and equipment	664,862	43,627	-	708,489
Vehicles	180,525	21,872	9,105	193,292
Subtotal	<u>10,995,566</u>	<u>769,072</u>	<u>9,105</u>	<u>11,755,533</u>
Net capital assets being depreciated	<u>17,756,680</u>	<u>(206,220)</u>	<u>-</u>	<u>17,550,460</u>
Net capital assets	<u>\$ 52,526,659</u>	<u>\$ 7,293,436</u>	<u>\$ 458,402</u>	<u>\$ 59,361,693</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 475,052
Public safety	261,913
Cultural and recreation	<u>53,071</u>
Total governmental activities	<u>\$ 790,036</u>
Business-type activities:	
Department of Public Works	\$ 321,319
Municipal Airport and Commerce Park	377,749
Water's Edge Country Club	<u>70,004</u>
Total business-type activities	<u>\$ 769,072</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 5 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sanitary Sewer Separation Project		
Phase I - CIPP Lining	\$ 1,068,752	\$ -
Phase II - Retention Basin Pump Station and Interceptor	11,313,460	705,032
Phase II - Sanitary Sewer Replacement	2,684,763	169,874
Phase III - North - South Relief Interceptor	10,783,780	3,617,730
Water Main Replacement - Rucker and Lake	492,027	95,276
Water Main Looping - Parke Lane	56,170	8,367
Water Main Replacement - East River	948,684	102,065
Water Main Replacement - Ferry Road	<u>497,213</u>	<u>237,945</u>
Total	<u>\$ 27,844,849</u>	<u>\$ 4,936,289</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	\$ 98,217
	Grosse Ile bridge	285,883
	Department of Public Works	40,835
	Municipal Airport and Commerce Park	11,234
	Water's Edge Country Club	291,759
	Total General Fund	727,928
Municipal Airport and Commerce Park	Nonmajor governmental funds	1,558
	Department of Public Works	27,266
	Total Road Improvement Fund	28,824
Nonmajor governmental funds	Nonmajor governmental funds	40,661
	Total	\$ 797,413

Receivable Fund	Payable Fund	Amount
Component Units - Due from Primary Government		
Component unit - Downtown Development Authority	Agency Fund - Tax collection fund	\$ 117,006
Component unit - Brownfield Authority	Agency Fund - Tax collection fund	162,002
	Total	\$ 279,008

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor governmental funds	\$ 196,878
Nonmajor governmental funds	General Fund	64,600
Nonmajor governmental funds	Nonmajor governmental funds	25,525
Municipal Airport and Commerce Park	Component Unit - Brownfield Authority	50,835
Road Improvement Fund	Nonmajor governmental funds	400
	Total	\$ 338,238

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers to and from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Municipal Airport to the nonmajor governmental funds represents a transfer of monies in excess of allowable grant expenditures.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. State and county contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Adjustments	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities									
General obligation bonds:									
Sanitary drain bonds	1	3.15%-7.50%	\$131,392- \$288,340	\$ 730,102	\$ -	\$ -	\$ (163,140)	\$ 566,962	\$ 134,405
Amount of issue: \$5,285,000									
Maturing through 2009									
Public safety building bonds	1	4.15%-9.25%	\$70,000- \$175,000	-	-	-	-	-	-
Amount of issue: \$2,555,000									
Maturing through 2015									
Public safety building bonds	1	2.0%-4.0%	\$125,000- \$170,000	1,460,000	-	-	(125,000)	1,335,000	145,000
Amount of issue: \$1,585,000									
Maturing through 2015									
Grosse Ile Building Authority bonds	1	5.125%-8.0%	\$25,000- \$200,000	2,225,000	-	-	(50,000)	2,175,000	50,000
Amount of issue: \$2,400,000									
Maturing through 2025									
Special assessment bonds	5	3.5%-6.1%	\$10,000- \$105,000	1,220,000	-	-	(95,000)	1,125,000	110,000
Amount of issue: \$3,695,000									
Maturing through 2019									
Total governmental activities				\$ 5,635,102	\$ -	\$ -	\$ (433,140)	\$ 5,201,962	\$ 439,405

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 7 - Long-term Debt (Continued)

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Adjustments	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-type Activities									
General obligation bonds:									
Tax sewer system improvement bonds	3	2.125%-2.5%	\$155,000- \$1,235,000	\$ 38,750,000	\$ (555,721)	\$ -	\$ (1,600,000)	\$ 36,594,279	\$ 1,630,000
Amount of issue: \$40,000,000 Maturing through 2025									
G.I./Trenton Utility Authority	4	3.25%-7.0%	\$15,000- \$201,075	5,671,088	-	-	(169,900)	5,501,188	249,263
Amount of issue: \$6,320,150 Maturing through 2024									
Grosse Ile Building Authority bonds	1	5.2%-7.0%	\$20,000- \$80,000	780,000	-	-	(30,000)	750,000	45,000
Amount of issue: \$950,000 Maturing through 2018									
Grosse Ile Building Authority bonds	1	7.65%-10.0%	\$5,000- \$50,000	625,000	-	-	(10,000)	615,000	10,000
Amount of issue: \$650,000 Maturing through 2025									
Capital Improvement bonds	1	3.5%-4.7%	\$25,000- \$45,000	440,000	-	-	(25,000)	415,000	30,000
Amount of issue: \$515,000 Maturing through 2017									
Capital Improvement bonds	1	4.5%-6.3%	\$25,000- \$80,000	680,000	-	-	(25,000)	655,000	25,000
Amount of issue: \$680,000 Maturing through 2019									
Total business-type activities				\$ 46,946,088	\$ (555,721)	\$ -	\$ (1,859,900)	\$ 44,530,467	\$ 1,989,263
Component Units									
Brownfield revitalization revolving loan	1	2.25%	\$40,708- \$46,524	\$ 375,295	\$ -	\$ -	\$ (38,085)	\$ 337,210	\$ 38,936
Amount of issue: \$421,825 Maturing through 2014									
Downtown Development Authority	1	4.1%-5.9%	\$5,000- \$65,000	525,000	-	-	(25,000)	500,000	25,000
Amount of issue: \$620,000 Maturing through 2019									
Total component units				\$ 900,295	\$ -	\$ -	\$ (63,085)	\$ 837,210	\$ 63,936

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 439,405	\$ 223,583	\$ 662,988	\$ 1,989,263	\$ 801,088	\$ 2,790,351	\$ 63,943	\$ 31,134	\$ 95,077
2008	472,557	201,387	673,944	2,029,263	746,729	2,775,992	69,812	29,209	99,021
2009	555,000	189,133	744,133	2,084,263	690,869	2,775,132	70,708	27,023	97,731
2010	315,000	175,302	490,302	2,167,988	633,053	2,801,041	71,624	24,788	96,412
2011	315,000	160,541	475,541	2,227,988	572,528	2,800,516	82,560	22,501	105,061
2012-2016	1,375,000	497,555	1,872,555	12,449,202	1,848,473	14,297,675	303,563	61,182	364,745
2017-2021	830,000	353,337	1,183,337	13,058,220	3,563	13,061,783	175,000	17,885	192,885
2022-2026	900,000	122,074	1,022,074	8,524,280	(1,083,588)	7,440,692	-	-	-
Total	\$ 5,201,962	\$ 1,922,912	\$ 7,124,874	\$ 44,530,467	\$ 4,212,715	\$ 48,743,182	\$ 837,210	\$ 213,722	\$ 1,050,932

Advance Refundings - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At March 31, 2006, \$1,305,000 of bonds outstanding are considered defeased.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Department of Public Works	Municipal Airport and Commerce Park	Total Business-type Activities
Unspent bond proceeds and related interest	\$ 666,574	\$ 13,390	\$ 679,964
Due from other governmental units	(3,271,798)	-	(3,271,798)
Sewer plant improvements	3,007,399	-	3,007,399
Water and sewer distributive and collective systems	<u>3,076,166</u>	<u>-</u>	<u>3,076,166</u>
Total restricted assets	<u>\$ 3,478,341</u>	<u>\$ 13,390</u>	<u>\$ 3,491,731</u>

Restricted Assets - Undrawn bond proceeds reported in the Township's Department of Public Works represent funds available for future draws on the Sanitary Sewer Rehabilitation Project Bonds. Debt has been recorded by the Township for 100 percent of the amount of funds available under this bond issue.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims as of March 1997; however, the Township still maintains a self-insurance plan for dental claims only. The Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Township Participating Plan for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 9 - Risk Management

The Michigan Municipal League risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Defined Benefit Pension Plan

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Trend information is as follows:

	Fiscal Year Ended March 31		
	2004	2005	2006
Annual pension costs (APC)	\$ 480,448	\$ 601,729	\$ 571,872
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 10,806,524	\$ 11,774,520	\$ 12,782,299
Actuarial Accrued Liability (AAL)	\$ 14,062,027	\$ 15,566,691	\$ 17,891,109
Unfunded AAL (UAAL)	\$ 3,255,503	\$ 3,792,171	\$ 5,108,810
Funded ratio	76.8%	75.6%	71.4%
Covered payroll	\$ 3,058,784	\$ 3,123,219	\$ 3,051,886
UAAL as a percentage of covered payroll	106%	121%	167%

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 10 - Defined Benefit Pension Plan (Continued)

At March 31, 2006, members consisted of the following:

	Active Employees	Retired Employees*
Police	17	9
Dispatch	5	3
Fire	2	1
Union	20	8
Administration	12	16
Total	56	37

*Retired employees include beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3.25 percent of gross wages for public safety employees.

Annual Pension Cost - For the year ended March 31, 2006, the Township's annual pension cost of \$571,872 for the plan was equal to the Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years. Annually since 1997, the Township has been budgeting and voluntarily contributing an extra \$100,000 above the recommended required contribution to work toward a 100 percent funding level.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 11 - Reserved and Designated Fund Balances

Net assets of governmental activities have been reserved for the following:

Restricted net assets:

Roads	\$ 4,002,347
Fire operating and equipment	1,699,693
Recreation	165,425
Library	353,985
Bicycle path	703,355
Drains	813,757
Open Space	607,471
Capital projects	<u>312,624</u>
Total	<u>\$ 8,658,657</u>

Fund balance of the General Fund has been designated for the following purposes:

Debt service	\$ 176,425
Advance to Grosse Ile Bridge Fund	285,883
Subsequent year's expenditures	<u>2,312,628</u>
Total	<u>\$ 2,774,936</u>

Net assets of the Department of Public Works have been reserved for the following:

Sewer plant improvements	\$ 3,007,399
Water and sewer distributive and collective systems	<u>3,076,166</u>
Total restricted net assets	<u>\$ 6,083,565</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 12 - Contingent Liabilities

During the ordinary course of its operation, the Township is a party to various claims, legal actions, and complaints.

The Township adopted a Resolution and Statement of Necessity dated June 9, 2003, whereby indicating its intention to acquire, by its power of eminent domain, the real and personal property belonging to the Grosse Ile Bridge Company. The Resolution of Necessity authorizes and directs the Township, via its legal counsel, to institute legal proceedings against parties in interest of the subject property for public purposes. In accordance with the provisions of MCL 212.55(1), the Township submitted a good faith offer for acquisition of the above property in the amount of \$4,293,000. This good faith offer was rejected on behalf of the Grosse Ile Bridge Company.

As of September 15, 2003, the Township has the legal authority to sell general obligation capital bonds, pursuant to Act 34, Public Acts of Michigan 2001, as amended, in an amount not to exceed \$10,000,000 for the purpose of paying the costs of acquiring the property and bridge and making certain capital improvements to the subject property.

On August 1, 2003, a Condemnation Complaint and Demand for Jury Trial was filed with the Court entitled *Township of Grosse Ile Bridge Company Case No. 03-325491 CC*. This complaint was prepared and filed in compliance with the provisions of the Resolution of Necessity and such statutes authorizing the Township to carry out the intent of said resolution regarding the taking of the subject private property. This case was heard by the Michigan Court of Appeals No. 255759. The Court of Appeals upheld the ruling of the lower court. The Township has petitioned the Michigan Supreme Court to hear this case.

The Township, along with several other communities, was issued a "Notice of Noncompliance" from the State of Michigan Department of Environmental Quality (the "Department") for alleged failure to comply with terms and conditions of a permit for discharge of wastewater and sewage.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 12 - Contingent Liabilities (Continued)

The Township Board has agreed to the terms and conditions of an administrative consent order issued by the Department dated April 26, 2001. Under terms of the consent decree, the communities are required to undertake construction projects to expand and upgrade the system. The Township has issued bonds of \$40,000,000 to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, contractual issues with the contractor of the project have arisen relating to the completion of the improvements. In substance, the contractors seek compensation in addition to the amounts specified under the contractual arrangements to which the Township is a party. The litigation involving D' Agostini has progressed to the early stages of discovery. A trial date has not been scheduled. D'Agostini has not yet qualified the amount sought by it in the litigation, but the amount is believed to exceed \$5 million. The claims asserted by Walbridge and DeAngelis are the subject of separate litigation also pending in Wayne County Circuit Court. The amount currently sought by Walbridge and DeAngelis in total is estimated to be in excess of \$3 million.

The Township will continue to respond to the claims against them by vigorously contesting any liability. However, because of the early stage of the litigation, the attorney is unable to render an evaluation of the likelihood of an unfavorable outcome or an estimate of the amount or range of potential loss.

Note 13 - Joint Venture

The Township is a member of the 33rd District Court (the "Court"), which provides judicial services to the member communities. The Court receives its operating revenue principally from fines and fees, in addition to annual funding contributions from member communities. During the current year, the Township received approximately \$11,641 from the Court, representing the Township's share of the Court's net activity. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future, other than the fluctuation of case loads, which impacts the Township's share of the Court debt. Complete financial statements for the Court can be obtained from the administrative offices at: 19000 Van Horn Road, Woodhaven, MI 48183.

During 1995, the Township and various other surrounding communities entered into an installment purchase agreement with a bank on behalf of the Court. The communities collectively agreed to finance the construction of an addition to the Court for a total cost of approximately \$2,000,000.

Township of Grosse Ile

Notes to Financial Statements March 31, 2006

Note 13 - Joint Venture (Continued)

The intention of the Court is to make the monthly interest and principal payments on behalf of the communities. In the event that payments are not received by the bank when due, each community will be responsible for its proportionate share of the debt based on Court usage. The Township's original estimated share of this debt was anticipated to be 4.12 percent but has been averaging approximately 3 percent to 4 percent over the past several years. The Township's portion of the related building addition, their equity interest, and debt obligation in the Court has been deemed insignificant by the Township and has not been recorded in the statement of net assets as of March 31, 2006.

For each community, the "share" is the percentage of total amount of any payment due equal to a fraction, the numerator of which is the total cases handled by the Court for that community from January 1 to December 31 of the year immediately preceding the year in which the payment is due, and the denominator of which is the total number of cases handled by the Court for the same time period. The share of the Township through December 31, 2005 approximated 4.01 percent. Principal and interest payments made by the Court on the Township's behalf during the year totaled \$3,431 and \$2,762, respectively. The Court has set aside certain funds of the Township in anticipation of its future debt requirements. The Township has not recorded these amounts held by the Court since it is not anticipated that they will be made available currently, nor can they be used for purposes other than debt retirement.

Note 14 - Other Postemployment Benefits

The Township has elected to provide postemployment health, dental, vision, and life insurance benefits to all eligible full-time retired employees and their beneficiaries. The government pays the full cost of coverage for these benefits. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant (other than specific co-pays). The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Currently, 28 retirees are eligible for post-employment health benefits. For the fiscal year ended March 31, 2006, the Township made payments for postemployment health benefits of \$287,493. The government obtains health care coverage through private insurers.

Note 14 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

Required Supplemental Information

Township Of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 2,954,513	\$ 2,954,513	\$ 2,965,505	\$ 10,992
Intergovernmental revenue	868,164	868,164	910,940	42,776
Licenses and permits	382,870	382,870	378,388	(4,482)
Charges for services	600	600	115	(485)
Fines and forfeitures	85,557	85,557	99,344	13,787
Interest income	70,000	70,000	175,833	105,833
Other revenue	226,989	226,989	238,129	11,140
Total revenues	4,588,693	4,588,693	4,768,254	179,561
Expenditures				
General government:				
Township board	45,226	45,226	89,717	(44,491)
Township supervisor	28,722	28,722	23,448	5,274
Township manager	223,788	223,788	268,842	(45,054)
Elections	53,950	53,950	10,483	43,467
Township clerk	138,874	138,874	129,564	9,310
Finance department	253,950	253,950	220,254	33,696
Property tax administration	88,982	88,982	66,741	22,241
Board of Review	2,200	2,200	1,568	632
Township treasurer	122,760	122,760	126,082	(3,322)
Township grounds and maintenance	210,612	210,612	227,636	(17,024)
Community development	265,370	265,370	270,563	(5,193)
Cable commission	95,000	95,000	96,305	(1,305)
Professional services	90,000	90,000	117,910	(27,910)
General expenditures	129,057	129,057	111,854	17,203
Total general government	1,748,491	1,748,491	1,760,967	(12,476)
33rd District Court	83,757	83,757	84,254	(497)
Public safety:				
Police	2,599,130	2,599,130	2,559,281	39,849
Animal control	12,100	12,100	8,620	3,480
Auxiliary police	13,390	13,390	5,875	7,515
Total public safety	2,624,620	2,624,620	2,573,776	50,844
Total expenditures	4,456,868	4,456,868	4,418,997	37,871
Excess of Revenues Over Expenditures	131,825	131,825	349,257	217,432

Township Of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing Sources (Uses)				
Operating transfers in	\$ 64,600	\$ 64,600	\$ 64,600	\$ -
Operating transfers out	<u>(196,425)</u>	<u>(196,425)</u>	<u>(196,878)</u>	<u>(453)</u>
Total other financing sources (uses)	<u>(131,825)</u>	<u>(131,825)</u>	<u>(132,278)</u>	<u>(453)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	-	-	216,979	216,979
Fund Balance - April 1, 2005	<u>3,341,622</u>	<u>3,341,622</u>	<u>3,341,622</u>	<u>-</u>
Fund Balance - March 31, 2006	<u>\$ 3,341,622</u>	<u>\$ 3,341,622</u>	<u>\$ 3,558,601</u>	<u>\$ 216,979</u>

Township Of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Road Improvement Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ -	\$ -	\$ 243	\$ 243
Interest income	5,000	5,000	123,052	118,052
Total revenue	5,000	5,000	123,295	118,295
Expenditures - General government	<u>4,153,000</u>	<u>4,153,000</u>	<u>299,534</u>	<u>3,853,466</u>
Excess of Revenue Over (Under) Expenditures	(4,148,000)	(4,148,000)	(176,239)	3,971,761
Other Financing Sources				
Transfer out	-	-	(400)	(400)
Net Change in fund balances	(4,148,000)	(4,148,000)	(176,639)	3,971,361
Fund Balance - Beginning of year	<u>4,178,986</u>	<u>4,178,986</u>	<u>4,178,986</u>	-
Fund Balance - End of year	<u>\$ 30,986</u>	<u>\$ 30,986</u>	<u>\$ 4,002,347</u>	<u>\$ 3,971,361</u>

Township Of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Open Space Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 581,800	\$ 581,800	\$ 589,712	\$ 7,912
Interest income	<u>500</u>	<u>500</u>	<u>13,465</u>	<u>12,965</u>
Total revenue	582,300	582,300	603,177	20,877
Expenditures - General government	<u>627,563</u>	<u>627,563</u>	<u>35,154</u>	<u>592,409</u>
Excess of Revenue Over (Under) Expenditures	(45,263)	(45,263)	568,023	613,286
Fund Balance - Beginning of year	<u>39,448</u>	<u>39,448</u>	<u>39,448</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ (5,815)</u></u>	<u><u>\$ (5,815)</u></u>	<u><u>\$ 607,471</u></u>	<u><u>\$ 613,286</u></u>

Other Supplemental Information

Township of Grosse Ile

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2006

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Assets				
Cash and investments	\$ 4,041,407	\$ 967,371	\$ 333,204	\$ 5,341,982
Receivables - Net	107,378	278,274	-	385,652
Due from other funds	37,482	2,000	1,179	40,661
Due from other governmental units	40,002	-	-	40,002
Prepaid expenses and other assets	2,580	-	-	2,580
Total assets	<u>\$ 4,228,849</u>	<u>\$ 1,247,645</u>	<u>\$ 334,383</u>	<u>\$ 5,810,877</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 111,732	\$ -	\$ -	\$ 111,732
Accrued and other liabilities	46,975	-	-	46,975
Due to other funds	118,744	-	20,513	139,257
Deferred revenue	2,295	256,441	-	258,736
Total liabilities	<u>279,746</u>	<u>256,441</u>	<u>20,513</u>	<u>556,700</u>
Fund Balances				
Reserved	-	991,204	-	991,204
Unreserved - Undesignated	3,949,103	-	313,870	4,262,973
Total fund balances	<u>3,949,103</u>	<u>991,204</u>	<u>313,870</u>	<u>5,254,177</u>
Total liabilities and fund balances	<u>\$ 4,228,849</u>	<u>\$ 1,247,645</u>	<u>\$ 334,383</u>	<u>\$ 5,810,877</u>

Township of Grosse Ile

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2006

	Nonmajor Governmental Funds			Total Nonmajor
	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Governmental Funds
Revenue				
Property taxes	\$ 1,962,119	\$ 399,480	\$ -	\$ 2,361,599
Special assessments	-	46,534	-	46,534
Charges for services	187,261	37,200	-	224,461
Ambulance fees	97,452	-	-	97,452
Rental income	103,287	-	-	103,287
Federal sources	86,328	-	-	86,328
Interest income	95,123	36,929	8,184	140,236
Other	103,966	-	13,255	117,221
Total revenue	<u>2,635,536</u>	<u>520,143</u>	<u>21,439</u>	<u>3,177,118</u>
Expenditures				
Current:				
General government	157,178	-	-	157,178
Public safety	1,588,651	-	-	1,588,651
Cultural and recreation	764,913	-	-	764,913
Capital outlay	-	-	4,678	4,678
Debt service	-	685,932	-	685,932
Total expenditures	<u>2,510,742</u>	<u>685,932</u>	<u>4,678</u>	<u>3,201,352</u>
Excess of Revenue Over (Under)				
Expenditures	<u>124,794</u>	<u>(165,789)</u>	<u>16,761</u>	<u>(24,234)</u>
Other Financing Sources (Uses)				
Transfers in	45,525	176,825	453	222,803
Transfers out	<u>(90,125)</u>	<u>-</u>	<u>-</u>	<u>(90,125)</u>
Total other financing sources (uses)	<u>(44,600)</u>	<u>176,825</u>	<u>453</u>	<u>132,678</u>
Net Change in Fund Balances	80,194	11,036	17,214	108,444
Fund Balances - Beginning of year	<u>3,868,909</u>	<u>980,168</u>	<u>296,656</u>	<u>5,145,733</u>
Fund Balances - End of year	<u><u>\$ 3,949,103</u></u>	<u><u>\$ 991,204</u></u>	<u><u>\$ 313,870</u></u>	<u><u>\$ 5,254,177</u></u>

Township of Grosse Ile

	Public Safety Building Maintenance	Drug Law Enforcement	Fire Operating	Fire Equipment
Assets				
Cash and investments	\$ 62,179	\$ 83,422	\$ 1,056,446	\$ 639,384
Receivables - Net	834	-	51,887	14,438
Due from other funds	-	-	8,265	-
Due from other governmental units	-	-	-	-
Prepaid expenses and other assets	-	-	1,080	-
Total assets	<u>\$ 63,013</u>	<u>\$ 83,422</u>	<u>\$ 1,117,678</u>	<u>\$ 653,822</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 23,458	\$ 1,725
Accrued and other liabilities	-	-	20,854	-
Due to other funds	1,739	-	17,505	8,265
Deferred revenue	-	-	-	-
Total liabilities	1,739	-	61,817	9,990
Fund Balances - Undesignated	<u>61,274</u>	<u>83,422</u>	<u>1,055,861</u>	<u>643,832</u>
Total liabilities and fund balances	<u>\$ 63,013</u>	<u>\$ 83,422</u>	<u>\$ 1,117,678</u>	<u>\$ 653,822</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
March 31, 2006**

Recreation Fund	Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Drain and Storm Maintenance	Total Nonmajor Special Revenue Funds
\$ 171,644	\$ 72,707	\$ 417,967	\$ 31,324	\$ 699,546	\$ 806,788	\$ 4,041,407
15,292	77	11,390	-	3,809	9,651	107,378
27,478	1,739	-	-	-	-	37,482
-	-	-	40,002	-	-	40,002
1,500	-	-	-	-	-	2,580
<u>\$ 215,914</u>	<u>\$ 74,523</u>	<u>\$ 429,357</u>	<u>\$ 71,326</u>	<u>\$ 703,355</u>	<u>\$ 816,439</u>	<u>\$ 4,228,849</u>
\$ 8,420	\$ 75	\$ 75,372	\$ -	\$ -	\$ 2,682	\$ 111,732
26,121	-	-	-	-	-	46,975
13,653	6,990	-	70,592	-	-	118,744
2,295	-	-	-	-	-	2,295
50,489	7,065	75,372	70,592	-	2,682	279,746
165,425	67,458	353,985	734	703,355	813,757	3,949,103
<u>\$ 215,914</u>	<u>\$ 74,523</u>	<u>\$ 429,357</u>	<u>\$ 71,326</u>	<u>\$ 703,355</u>	<u>\$ 816,439</u>	<u>\$ 4,228,849</u>

Township of Grosse Ile

	Public Safety Building Maintenance	Drug Law Enforcement	Fire Operating	Fire Equipment
Revenue				
Property taxes	\$ -	\$ -	\$ 895,561	\$ 291,683
Charges for services	-	-	-	-
Ambulance fees	-	-	97,452	-
Rental income	38,008	-	-	-
Federal sources	-	25,866	-	-
Interest income	2,193	1,296	19,292	24,519
Other	-	64,505	-	-
Total revenue	<u>40,201</u>	<u>91,667</u>	<u>1,012,305</u>	<u>316,202</u>
Expenditures - Current				
General government	-	-	-	-
Public safety	74,042	8,245	842,895	663,469
Cultural and recreation	-	-	-	-
Total expenditures	<u>74,042</u>	<u>8,245</u>	<u>842,895</u>	<u>663,469</u>
Excess of Revenue Over (Under) Expenditures	<u>(33,841)</u>	<u>83,422</u>	<u>169,410</u>	<u>(347,267)</u>
Other Financing Sources (Uses)				
Transfers in	20,000	-	-	-
Transfers out	-	-	(74,600)	-
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>(74,600)</u>	<u>-</u>
Net Change in Fund Balances	<u>(13,841)</u>	<u>83,422</u>	<u>94,810</u>	<u>(347,267)</u>
Fund Balances - Beginning of year	<u>75,115</u>	<u>-</u>	<u>961,051</u>	<u>991,099</u>
Fund Balances - End of year	<u><u>\$ 61,274</u></u>	<u><u>\$ 83,422</u></u>	<u><u>\$ 1,055,861</u></u>	<u><u>\$ 643,832</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended March 31, 2006

Recreation Fund	Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Drain and Storm Maintenance	Total Nonmajor Special Revenue Funds
\$ 287,252	\$ -	\$ 235,843	\$ -	\$ 57,307	\$ 194,473	\$ 1,962,119
187,261	-	-	-	-	-	187,261
-	-	-	-	-	-	97,452
-	65,279	-	-	-	-	103,287
-	-	-	60,462	-	-	86,328
1,716	2,000	5,331	-	20,660	18,116	95,123
39,461	-	-	-	-	-	103,966
<u>515,690</u>	<u>67,279</u>	<u>241,174</u>	<u>60,462</u>	<u>77,967</u>	<u>212,589</u>	<u>2,635,536</u>
-	-	-	60,987	70,785	25,406	157,178
-	-	-	-	-	-	1,588,651
<u>561,217</u>	<u>36,996</u>	<u>166,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,913</u>
<u>561,217</u>	<u>36,996</u>	<u>166,700</u>	<u>60,987</u>	<u>70,785</u>	<u>25,406</u>	<u>2,510,742</u>
<u>(45,527)</u>	<u>30,283</u>	<u>74,474</u>	<u>(525)</u>	<u>7,182</u>	<u>187,183</u>	<u>124,794</u>
25,000	-	-	525	-	-	45,525
<u>(525)</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,125)</u>
<u>24,475</u>	<u>(15,000)</u>	<u>-</u>	<u>525</u>	<u>-</u>	<u>-</u>	<u>(44,600)</u>
(21,052)	15,283	74,474	-	7,182	187,183	80,194
<u>186,477</u>	<u>52,175</u>	<u>279,511</u>	<u>734</u>	<u>696,173</u>	<u>626,574</u>	<u>3,868,909</u>
<u><u>\$ 165,425</u></u>	<u><u>\$ 67,458</u></u>	<u><u>\$ 353,985</u></u>	<u><u>\$ 734</u></u>	<u><u>\$ 703,355</u></u>	<u><u>\$ 813,757</u></u>	<u><u>\$ 3,949,103</u></u>

Township of Grosse Ile

	Sanitary Drain District	Public Safety Building Debt	1993 SAD Debt	1995 SAD Debt	1995 Series B SAD Debt
Assets					
Cash and investments	\$ 221,289	\$ 136,294	\$ 146,534	\$ 36,097	\$ 75,876
Due from other funds	2,000	-	-	-	-
Receivables - Net	<u>10,311</u>	<u>9,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 233,600</u>	<u>\$ 145,313</u>	<u>\$ 146,534</u>	<u>\$ 36,097</u>	<u>\$ 75,876</u>
Liabilities and Fund Balances					
Liabilities - Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances - Reserved	<u>233,600</u>	<u>145,313</u>	<u>146,534</u>	<u>36,097</u>	<u>75,876</u>
Total liabilities and fund balances	<u>\$ 233,600</u>	<u>\$ 145,313</u>	<u>\$ 146,534</u>	<u>\$ 36,097</u>	<u>\$ 75,876</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Debt Service Funds
March 31, 2006

1995 Series C SAD Debt	1996 SAD Debt	1998 SAD Debt	1999 SAD Debt	Building Authority	Total Nonmajor Debt Service Funds
\$ 27	\$ 64,439	\$ 161,683	\$ 124,508	\$ 624	\$ 967,371
-	-	-	-	-	2,000
-	-	114,154	144,790	-	278,274
<u>\$ 27</u>	<u>\$ 64,439</u>	<u>\$ 275,837</u>	<u>\$ 269,298</u>	<u>\$ 624</u>	<u>\$ 1,247,645</u>
\$ -	\$ -	\$ 113,406	\$ 143,035	\$ -	\$ 256,441
27	64,439	162,431	126,263	624	991,204
<u>\$ 27</u>	<u>\$ 64,439</u>	<u>\$ 275,837</u>	<u>\$ 269,298</u>	<u>\$ 624</u>	<u>\$ 1,247,645</u>

Township of Grosse Ile

	Sanitary Drain District	Public Safety Building Debt	1993 SAD Debt	1995 SAD Debt	1995 Series B SAD Debt
Revenue					
Property taxes	\$ 215,258	\$ 184,222	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Charges for services	37,200	-	-	-	-
Interest income	<u>702</u>	<u>1,275</u>	<u>4,353</u>	<u>1,038</u>	<u>2,232</u>
Total revenue	253,160	185,497	4,353	1,038	2,232
Expenditures - Debt service	<u>213,680</u>	<u>179,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	39,480	6,339	4,353	1,038	2,232
Other Financing Sources					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	39,480	6,339	4,353	1,038	2,232
Fund Balances - Beginning of year	<u>194,120</u>	<u>138,974</u>	<u>142,181</u>	<u>35,059</u>	<u>73,644</u>
Fund Balances - End of year	<u>\$ 233,600</u>	<u>\$ 145,313</u>	<u>\$ 146,534</u>	<u>\$ 36,097</u>	<u>\$ 75,876</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended March 31, 2006

1995 Series C SAD Debt	1996 SAD Debt	1998 SAD Debt	1999 SAD Debt	Building Authority	Total Nonmajor Debt Service Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,480
-	-	29,355	17,179	-	46,534
-	-	-	-	-	37,200
-	1,743	11,376	14,204	6	36,929
-	1,743	40,731	31,383	6	520,143
400	21,285	48,645	46,339	176,425	685,932
(400)	(19,542)	(7,914)	(14,956)	(176,419)	(165,789)
400	-	-	-	176,425	176,825
-	(19,542)	(7,914)	(14,956)	6	11,036
27	83,981	170,345	141,219	618	980,168
<u>\$ 27</u>	<u>\$ 64,439</u>	<u>\$ 162,431</u>	<u>\$ 126,263</u>	<u>\$ 624</u>	<u>\$ 991,204</u>

Township of Grosse Ile

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds March 31, 2006

	Capital Project Improvements	1998 SAD Construction	1999 SAD Construction	2004 SAD Construction	Total Nonmajor Capital Projects Funds
Assets					
Cash and investments	\$ 2,100	\$ 99,260	\$ 213,364	\$ 18,480	\$ 333,204
Due from other funds	704	-	-	475	1,179
Total assets	<u>\$ 2,804</u>	<u>\$ 99,260</u>	<u>\$ 213,364</u>	<u>\$ 18,955</u>	<u>\$ 334,383</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ 1,558	\$ -	\$ -	\$ 18,955	\$ 20,513
Fund Balances - Undesignated	<u>1,246</u>	<u>99,260</u>	<u>213,364</u>	<u>-</u>	<u>313,870</u>
Total liabilities and fund balances	<u>\$ 2,804</u>	<u>\$ 99,260</u>	<u>\$ 213,364</u>	<u>\$ 18,955</u>	<u>\$ 334,383</u>

Township of Grosse Ile

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended March 31, 2006

	Capital Project Improvements	1998 SAD Construction	1999 SAD Construction	2004 SAD Construction	Total Nonmajor Capital Projects Funds
Revenue					
Interest income	\$ 780	\$ 2,934	\$ 4,470	\$ -	\$ 8,184
Other	<u>13,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,255</u>
Total revenue	14,035	2,934	4,470	-	21,439
Expenditures - Capital outlay	<u>-</u>	<u>-</u>	<u>4,225</u>	<u>453</u>	<u>4,678</u>
Excess of Revenue Over (Under) Expenditures	<u>14,035</u>	<u>2,934</u>	<u>245</u>	<u>(453)</u>	<u>16,761</u>
Other Financing Sources -					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>453</u>	<u>453</u>
Net Change in Fund Balances	14,035	2,934	245	-	17,214
Fund Balances (Deficit) -					
Beginning of year	<u>(12,789)</u>	<u>96,326</u>	<u>213,119</u>	<u>-</u>	<u>296,656</u>
Fund Balances - End of year	<u>\$ 1,246</u>	<u>\$ 99,260</u>	<u>\$ 213,364</u>	<u>\$ -</u>	<u>\$ 313,870</u>

TOWNSHIP OF GROSSE ILE, MICHIGAN
REPORT ON EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2006

TOWNSHIP OF GROSSE ILE, MICHIGAN

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MARCH 31, 2006

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A Professional Corporation

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Grosse Ile, Michigan
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township of Grosse Ile, Michigan's basic financial statements and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Grosse Ile, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Grosse Ile, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township of Grosse Ile, Michigan in a separate letter dated September 14, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

September 14, 2006

A Professional Corporation

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Township of Grosse Ile, Michigan
Wayne County, Michigan

Compliance

We have audited the compliance of the Township of Grosse Ile, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2006. The Township of Grosse Ile, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Township of Grosse Ile, Michigan's management. Our responsibility is to express an opinion on the Township of Grosse Ile, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township of Grosse Ile, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Grosse Ile, Michigan's compliance with those requirements.

In our opinion, the Township of Grosse Ile, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2006.

Internal Control Over Compliance

The management of the Township of Grosse Ile, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township of Grosse Ile, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan as of and for the year ended March 31, 2006, and have issued our report thereon dated September 14, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grosse Ile, Michigan's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

September 14, 2006

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2006

<u>Federal Agency/Pass-Through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Major Program			
U.S. Environmental Protection Agency Passed Through Michigan Department of Environmental Quality Capitalization Grants for State Revolving Funds	66.458		
Project No. 5203 - 02		\$ 4,312,319	\$ 45,820
Project No. 5203 - 03		<u>2,955,123</u>	<u>1,660,625</u>
Total Major Program		<u>7,267,442</u>	<u>1,706,445</u>
Other Federal Awards			
U.S. Department of Housing and Urban Development Passed Through Wayne County Community Development Division Community Development Block Grants	14.219		
Project No. 04-09-05A - Senior Citizen Staffing and Services		20,000	4,459
Project No. 05-09-05A - Senior Citizen Staffing and Services		22,000	16,379
Project No. 04-09-20 - ADA Compliance/Park Improvements		16,000	16,000
Project No. 03-32-14A01 - Housing Rehabilitation		3,500	3,500
Project No. 04-32-14A01 - Housing Rehabilitation		<u>20,123</u>	<u>20,123</u>
Total U.S. Department of Housing and Urban Development		<u>81,523</u>	<u>60,461</u>
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607		
Project No. N/A - 2005		<u>1,706</u>	<u>371</u>
Organized Crime Drug Enforcement Task Force	16.UNKNOWN		
Project No. N/A - 2004-05		14,666	12,006
Project No. N/A - 2005-06		<u>15,144</u>	<u>14,324</u>
Total Organized Crime Drug Enforcement Task Force		<u>29,810</u>	<u>26,330</u>
Passed Through Michigan Department of Community Health Local Law Enforcement Block Grant Program	16.592		
Project No. 2004-LB-BX-0863		<u>10,000</u>	<u>9,940</u>
Passed Through Michigan Department of State Police Enforcing Underage Drinking Laws Program	16.727		
Project No. JJ-05-07		25,979	18,852
Project No. JJ-06-01		<u>16,982</u>	<u>7,565</u>
Total Passed Through Michigan Department of State Police		<u>42,961</u>	<u>26,417</u>

See notes to schedule of expenditures of federal awards

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2006

(Continued)

<u>Federal Agency/Pass-Through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Other Federal Awards (Continued)			
U.S. Department of Justice (Continued)			
Passed Through Downriver Community Conference			
Public Safety Partnership and Community Policing Grants	16.710		
Project No. PT 05-19		\$ 10,862	\$ 10,862
Project No. PT 06-15		7,250	1,278
Project No. N/A		<u>13,855</u>	<u>13,855</u>
Total Passed Through Downriver Community Conference		<u>31,967</u>	<u>25,995</u>
Total U.S. Department of Justice		<u>116,444</u>	<u>89,053</u>
U.S. Department of Transportation			
Passed Through Michigan Department of State Police			
State and Community Highway Safety	20.600		
Project No. PT-05-78		<u>4,000</u>	<u>4,000</u>
U.S. Department of Homeland Security			
Passed Through Michigan Department of State Police			
State Domestic Preparedness Equipment Support Program	97.004		
Project No. 234 03		<u>366</u>	<u>366</u>
Total Other Federal Awards		<u>202,433</u>	<u>153,880</u>
Total Federal Awards		<u>\$ 7,469,875</u>	<u>\$ 1,860,325</u>

See notes to schedule of expenditures of federal awards

TOWNSHIP OF GROSSE ILE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 -

The accompanying Schedule of Expenditures of Federal Awards includes federal grant activity of the Township of Grosse Ile, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

NOTE 2 -

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

NOTE 3 -

The program with total funds expended of \$300,000 or more (Type A programs) was Capitalization Grants for State Revolving Funds. This Type A program was not considered low-risk and was required to be tested as a major program. The Township qualified as a low-risk auditee. Therefore, 25% of total federal awards expended were tested as major programs. The Capitalization Grants for State Revolving Funds program also satisfied this requirement.

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: (unqualified, qualified, adverse, or disclaimer)

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
 - Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes x none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: (unqualified, qualified, adverse, or disclaimer)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 x yes _____ no

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2006
(Continued)

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

TOWNSHIP OF GROSSE ILE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2006

FEDERAL PROGRAM	FINDINGS	QUESTIONED COSTS
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Prior Year Finding

None.

TOWNSHIP OF GROSSE ILE
LETTER OF COMMENTS AND RECOMMENDATIONS
MARCH 31, 2006

A Professional Corporation

Board of Trustees
Township of Grosse Ile
Wayne County, Michigan

We have audited the financial statements of the Township of Grosse Ile for the year ended March 31, 2006. As part of our audit, we reviewed the Township's accounting procedures and system of internal control.

The objectives of an internal control system are to provide reasonable, but not absolute, assurance as to 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) proper division of duties between various employees to provide a reasonable check upon transactions and, 3) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The following comments and recommendations are presented for your consideration:

*** * * PRIOR YEAR COMMENTS * * ***

OTHER POSTEMPLOYMENT BENEFITS

For a number of years we have commented on the Township's providing health, dental and life insurance benefits to full-time employees upon retirement. The benefits are known as "Other Postemployment Benefits," or OPEB. The Township's contributions for OPEB are currently financed on a pay-as-you-go basis.

The Governmental Accounting Standards Board recently issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how local governments should account for and report their costs and obligations related to OPEB. The statement generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations in essentially the same manner as they currently do for pensions. OPEB costs will be based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. Medium-sized governments are required to implement the requirements of Statement 45 for periods beginning after December 15, 2006, with earlier implementation encouraged.

DPW - INVENTORY

A complete physical inventory of supplies, parts and materials at the various storage facilities has not been taken in several years and there has been no change to the inventory balance on the general ledger. An inventory is required to maintain proper internal control over the items and should be taken at the end of each fiscal year.

We again recommend that the DPW establish procedures to ensure that an inventory is taken as of March 31 of each year.

FUND DEFICITS

As of March 31, 2005, the Township had accumulated fund deficits in several individual funds. The Township is in violation of Public Act 621 of 1978. In accordance with Public Act 621 of 1978, we recommended that the Township formulate deficit reduction plans and submit them to the Michigan Department of Treasury.

The Township's fund deficits and corrective action plans were as follows: The Capital Project Improvement Fund has a deficit of \$12,789 that will be eliminated with future bond sale proceeds. The Downtown Development Authority and the Brownfield Authority have deficits of \$339,542 and \$275,410, respectively, which will be eliminated in future years as property tax collections are received. Water's Edge Country Club has an unrestricted fund deficit of \$297,470 that will be eliminated in future years with the reorganization of the entire operation, including staff reductions, consolidations and rate restructuring that will hopefully increase membership and facility usage. The Grosse Ile Bridge has an unrestricted fund deficit of \$285,883 that will be eliminated in future years through the sale of general obligation capital improvement bonds or transfer from the general fund. The actions of the Township are dependent on the outcome of a pending court case.

Action Taken: The accumulated deficit in the Capital Project Improvement Fund was completely eliminated during the year ended March 31, 2006. The accumulated deficits in the Downtown Development Authority, the Brownfield Authority and Water's Edge Country Club were reduced to \$281,360, \$107,156 and \$260,178, respectively in accordance with the Township's corrective action plans. These deficits will continue to be eliminated in future years as outlined above. There was no change in the unrestricted fund deficit for the Grosse Ile Bridge. The Township's corrective action plan remains in effect as outlined above.

CAPITAL PROJECT FUNDS

During the year ended March 31, 2005, there was a capital project fund that had no activity except for interest income earned on its bank account. As of March 31, 2005, the 1998 Special Assessment District Construction Fund had an accumulated fund balance of \$96,326. The project for which this fund was established has been completed. We recommended that the assets and related fund balance in this capital project fund be transferred to the related debt service fund and the fund closed.

Action Taken: None. We again recommend that the 1998 Special Assessment District Construction Fund, which now has an accumulated fund balance of \$99,260, be closed and the assets be transferred to the related debt service fund.

During the last several years, the 1999 Special Assessment District Construction Fund also had no activity except for interest income earned on its bank account, which resulted in a cumulative fund balance of \$213,119 at March 31, 2005. The related project is complete. However, the Township is still anticipating a final bill of approximately \$100,000 from a vendor for the last phase of the construction work. We recommended that the Township actively research its account status with this vendor to resolve the matter in a timely fashion. Once this issue is resolved, the assets and related fund balance in this capital project fund should be transferred to the related debt service fund and the fund closed.

Action Taken: None. The 1999 Special Assessment District Construction Fund has a cumulative fund balance of \$213,364 at March 31, 2006. We again recommend that the status of any outstanding bills be resolved and that the assets and related fund balance in this capital project fund be transferred to the related debt service fund and the fund closed.

DEBT SERVICE FUNDS

As of March 31, 2005, the Township had three special assessment debt funds in which the final bond payments have been made and the total amount collected on the assessments was more than 5% of the original tax roll. For the 1993 Special Assessment District Debt, the 1995 Special Assessment District Debt and the 1995 Series B Special Assessment District Debt, the Township is required to refund this surplus to the persons who are owners of record on the date of the passage of the Township resolution ordering the refund. Any surplus less than 5% may be transferred to the Township's general fund.

We recommended that the Township pass the appropriate resolution and issue the required refunds to the property owners in a timely fashion. In addition, any surplus below 5% should be transferred to the general fund and the debt service funds closed.

Action Taken: None. We again recommend that the Township implement the proper procedures to dispose of the surplus funds and close the debt service funds.

*****CURRENT YEAR COMMENTS*****

CAPITAL PROJECT FUNDS

During the year ended March 31, 2006, there was a capital project fund that had no activity except for interest income earned on its bank account. As of March 31, 2006, the Grosse Ile/Trenton 98 Sewer Plant Project Fund had an accumulated fund balance of \$35,338. The project for which this fund was established has been completed. The expenditures for this project exceeded the bond proceeds and the additional costs were covered by the Department of Public Works fund. Therefore, we recommend that the assets and related fund balance remaining in this capital project fund be transferred to Department of Public Works fund as reimbursement and the fund closed.

DEBT SERVICE FUNDS

As of March 31, 2006, the Township had one additional special assessment debt fund in which the final bond payments have been made and the total amount collected on the assessments was more than 5% of the original tax roll. For the 1996 Special Assessment District Debt, the Township is required to refund this surplus to the persons who are owners of record on the date of the passage of the Township resolution ordering the refund. Any surplus less than 5% may be transferred to the Township's general fund.

We recommend that the Township pass the appropriate resolution and issue the required refunds to the property owners in a timely fashion. In addition, any surplus below 5% should be transferred to the general fund and the debt service funds closed.

SUMMARY

Record keeping procedures are fundamentally sound and reliable. The employees responsible for these functions were cooperative in answering questions and providing documentation required during our audit.

We would like to thank the Board for this opportunity to again serve as your auditors. As you know, we are available throughout the year to answer questions or work on special projects at your request.

Hungerford & Co.

September 14, 2006